

SOVIET UNION

Welcome, Capitalists

Developing the Soviet Union as fast as Nikita Khrushchev would like to is too big a job for Communist resources and technology. Capitalists in search of new business have not failed to take notice of this fact. Putting ideology aside, more and more free-world businessmen are making multimillion-dollar deals to build locomotives, dry docks, mills and factories in the Soviet Union. In what is believed to be the biggest industrial deal yet between Communists and capitalists, a British consortium last week signed a contract to erect an \$84 million polyester-fiber plant in Siberia. By allowing the Russians 15 years for repayment, the British also agreed to the best credit terms ever extended to a Communist nation.

Master Bargainers. The U.S. charges that such contracts enable Russia "to devote other resources to military and unpeaceful purposes," discourages American firms from making deals with the Soviets. Other nations do not seem to listen. Working under contract—not by investment, which is still taboo in Communist lands—a number of British companies have agreed to build fertilizer, petrochemical and textile plants. French companies have set up a cement factory, two chemical plants and three sugar refineries. Sweden recently finished two dry docks and several meatpacking houses, is now building a pulp-processing plant in eastern Siberia. The Netherlands has constructed three fer-

tilizer plants, and Japan fortnight ago approved a contract for one worth \$10 million. Even industries in West Germany, which has a strict ban on all but cash deals with Russia, have managed to get a few Russian contracts.

The Russians show great skill at bargaining: it took four months of steady discussion to close the British deal. They also give Western businessmen some exasperating moments, especially by re-opening the bargaining just when all differences seem to have been settled. And they are canny; they knew exactly when to get the best deal from Sweden on a pulp mill—during a business slump. Franco Marinotti, president of Milan's SNIA Viscosa and an old hand at bargaining with Russians, has his own rule of thumb: speak fluent Russian, offer long-term credit and toss down vodka like a Russian. He does all three.

Prompt Payment. Capitalists have no quarrel with the way Russians pay their bills: on time and in hard currency. The reason, of course, is that the Russians want to encourage even more capitalists to do business with them. Last week a Soviet trade delegation arrived in Stockholm to see if anyone wanted to build another pulp mill. And Soviet officials stirred new interest among British businessmen by announcing that they had the go-ahead to negotiate for eleven more chemical and fertilizer plants worth about \$280 million.

TIME, SEPTEMBER 18, 1964